

# LINCOLNVILLE SEWER DISTRICT

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Meeting

Lincolnvillle Sewer District Board of Trustees

Date: 1-31-23

5:30PM

Zoom Invite

## MEETING MINUTES

- Call to order: Paul Lippman
- Note Taker: Chris Nickerson
- In Attendance: In Attendance: Paul & Catherine Lippman, Trustee, Chris Nickerson, Trustee, Chris Strazzulla
- Chairman's opening Remarks
- Open invitation to residents/guests
- Approve minutes of 10-18-22 – Chris N motion, second Chris S., all in favor – minutes approved.
- Superintendent's Report (Mike Harris)
  - We had a notice of violation from the DEP for our Enterococci testing. Enterococci is a new parameter that neither Paul nor I have at our other plants yet. Typically, bacteria testing takes place from May to September so we stopped testing at the end of September. However, the Enterococci season is April to October. We had to do 4 make up tests which we did and the matter is resolved.
  - The plant is running well no issues there.
  - Mike Harris has spoken to the owners of The Whales Tooth Pub, The Lobster Pound, McLaughlin's and the Beach Store. All grease traps are pumped out. The Beach Store, run by Matt Hohman, said that business does not have a grease trap. Matt will confirm with the building owner, Ryan Lawrence, and come up with a plan on installing one. Mike Harris will check back with Matt Hohman in March on progress. Mike Harris has invoices from the other restaurants showing that the grease traps were pumped out. Also, Mike Harris has information on each restaurant's grease trap type.
  - Mike Harris has submitted, for the Trustees' review, a ten-year contract (2023 thru 2032) with the option to renegotiate compensation for years six (6) through ten (10) (2028 thru 2032).
  - Executive Meeting cancelled because Mike Harris could not attend – to be rescheduled.

- Treasurer Report

**FINANCIAL UPDATE:** Our Fiscal Year is January 1 – December 31, and we manage two parallel books:

Book 1 The First National Bank: is being used to manage the funds from the USDA Grant (\$2,949,538), as well as the loan from Rural Development (\$2,050,000). Through Draft Pay Req 30, the remaining funds in the project are \$46,632.43. This includes:

- \$24,000 in Legal/Admin for the Audits
- \$22,632.43 in Contingency
- Contingency items we are aware of are:
  - Generator
  - Change hinges on gate
- Note: The District is now assuming all O&M expenses as the first-year coverage from USDA has expired.

Book 2 Camden National: is being used to manage income and expenses in the ongoing operation of the LSD. Financial Report: From July, 2021 through December, 2022, we report:

- Income:
  - \$164,707 comprised of one-time connection fees (\$635 x EDU's), inspection fees (\$50), standby fees (\$317.50), and sewer service charges (\$635 x EDUs), and Lincolnville Town Credit towards debt service – annually. Note: members of the former LBSF did not pay inspection fees.
  - **CONNECTOINS UPDATE:** We have a current total potential system user population of 53, and we are happy to report that 35 have hooked up, or 66% of the total (35/53)
    - Q1, 2022: 1 hookup
    - Q2, 2022: 5 hookups
    - Q3, 2022: 1 hookup
    - Q4, 2022: 4 hookups
  - 23 potential users remain to hook-up.
  - Total EDU's hooked up to date: 109, out of total projected EDUs of 137 (80%). We project an additional 14 EDUs will be hooked up by the end of 2023 = 90% EDUs hooked up.
  - ALL District Members' EDU allocations are listed in a document on our website – by Map and Lot #
- Expense: \$47,421, comprised of Utilities, Operations, Repairs & Maintenance, Debt Service, and Administration
- Net Income: \$117,286 to cover future expenses

- The Lincolnville Sewer District re-evaluate EDU's charges each fiscal year. EDU allocations that are fractional are rounded up. For example, let's say a conventional restaurant serving two meals per day has 85 seats. They are allocated 1 EDU per 10 seats of capacity, or 8.5 EDUs. Therefore, the restaurant is charged 9 EDUs.

**AUDIT UPDATE:** We are a tax-exempt entity so we do not have to file taxes; however, we are obligated to complete an audit given we are using USDA Grant funds. We have engaged a CPA from HMV, LLC by the name of Nick Henry to help us complete audits for 2020, 2021 and 2022. In general, an audit is a financial statement audit which involves validating QuickBooks account balances and issuing a set of financial statements. Starting in 2022, this will be the only type of audit that LSD needs going forward. A few updates on our Audit progress:

- o We are pleased to report that as of December, 2022 the 2020 Audit, the first ever for the LSD, has been completed. This included historical activity, including nearly a decade of prior transactions up through 12/31/2019, and then 2020. The components of the 2020 audit are the initial audit (beginning balances are correct), financial statement audit (QuickBooks account balances and financial statement issuance), and single audit (required if you spend over \$750,000 of federal funds in a year). A single audit is required for 2020 and 2021 due to the installation project, but will not be required after that unless the District takes on another project that includes federal funds.
- o Regarding the 2020 Audit, estimated to cost \$10,000, found no fraud, theft, or deficiencies/issues related to procedures, processes or controls. We did have the following findings related to the 2020 audit:
  - 1099s were not filed for 2020. Paul stated, "the District was not in violation *because there were no vendors in 2020 that were required to receive them.*"
  - There are no official written policies relative to federal awards
  - The Single Audit was not submitted by the required deadline
- o 2021 audit starting January, 2023 and will complete before June 30, 2023 and will consist of a financial audit and single audit. Cost estimate: \$8,000
- o The 2022 audit completed by 9/30/23. Cost estimate: \$5,000

- Budget – below is the approved 2023 budget. Minor updates will be made on an actual vs. budget basis proceeding into 2023.

2023 Budget Lincolnville Sewer District		BUDGET	
	DRAFT FY 2023	per EDU @ \$ 635	2022 Actuals CNB only [1]
Income			
4100 User Fees	161,105 [2]	EDU activity revenue	80,596.50
4200 Lincolnville Town Commitment (10yrs)	19,000 [3]	109 July Billing	19,000.00
<b>Total Income</b>	<b>180,105</b>	109 Jan Billing	99,596.50
<b>Gross Profit</b>	<b>180,105</b>	14 Connection Fees	8,890
Expenses		14 Standby Fees	4,445
5100 Utilities		14 Jan OR July Billing	8,890
5110 Electric		9 Inspection Fees	450
5112 Pump station 2	1,500 [4]		161,105
5113 Treatment plant	8,400 [5]		343.80
Total 5110 Electric	9,900		987.61
5120 Internet	1,800 [6]		1,331.41
5130 Diesel Fuel	2,000 [7]		712.89
Total 5100 Utilities	13,700		658.18
5200 Operations			2,702.48
5210 Superintendent	21,600		7,500.00
5220 Contract Lab Work	9,600 [8]		3,650.00
5230 Lab Equipment	1,000 [9]		71.10
5240 Manager	8,400 [10]		
Total 5200 Operations	40,600		11,221.10
5300 Repairs & Maintenance			
5310 Snow Plowing	560 [11]		
5320 Landscaping	1,800 [12]		
5330 Equipment Repair	1,500 [13]		2,197.20
5340 Sludge Removal	9,900		
5350 Outfall Pipe	3,500		350.00
5360 District Waterfront Property	1,000 [14]		53.30
5370 Plant	1,000		
Collection System	1,000		
Safety	640		
Reserve Account Funding	25,500 [15]		
Expansion Reserve	10,000		
Planned Capital Improvement	5,500		
Total 5300 Repairs & Maintenance	61,900		2,600.50
5400 Debt Service			
5410 Loan #92-02 (1.6M) (Int only 22, 23)	20,000		20,000.00
5420 Loan #92-04 (.45M) (Int only 22, 23)	5,625		5,625.00
Debt Service Reserve	20,430 [16]		
Total 5400 Debt Service	46,055		25,625.00
5500 Administration			
5510 Bank Charges	400		175.92
5520 Audit	5,000		
5530 Bookkeeping	4,500 [17]		1,446.50
5540 Website, Domain & Hosting	350		20.55

1/29/2023

- EDU rate for 2023
  - Based on the confirmed 2023 budget, the EDU rate for 2023 can remain the same as it was in 2022: \$635 per EDU, as well as the one-time connection fees (\$635 x # EDU's), inspection fees (\$50), and standby fees (\$317.50) (50% of one EDU X # EDU's).

Chris N made a motion to set the EDU rate at \$635/yr. for 2023; Chris S. seconded, All in favor.

- USDA debt service accruals

The Lincolnville Sewer District has an outstanding loan of \$2,050,000 with USDA Rural Development. We have two upcoming payments, totaling \$25,625 on 10/21/2023:

1). Loan #92-02: interest only annual payment of \$20,000.00 due on 10/21/2023. Camden National Bank, Principal: \$1,600,000

2). Loan 92-04: interest only annual payment of \$5,625.00 due on 10/21/2023. Camden National Bank, Principal: \$450,000

Both payments are already set up to be received electronically, as per executed forms RD3550-28 Authorization Agreement for Preauthorized Payments (attached).

Both loans have a 40-year term. Once the District starts making principal payments (starting in 2024), our annual obligation will be \$53,152 and \$14,949 for a total of \$68,101 for 38 years.

To prepare for these obligations longer-term, the USDA requires borrowers to have a debt service reserve amount that will eventually equal (after 10 years) the total annual payments on all USDA loans. As such, by the end of 2023 or sooner, the LSD needs to have \$20,430 (6810 x 3) in a separate savings account or CD, and going forward needs to contribute \$6,810 to said account annually until the account has amassed \$68,100 by 2030.

Our annual budget should include an “expense” equal to \$6,810 being transferred to the USDA reserve savings account. Since we cannot spend the money, we might tie it up with a long-term CD to earn more interest if you would like (e.g., 4%) for a 4-year CD.

Because principal + interest payments begin in 2024 in the amount of \$68,101, the District will use accrued funds with the method above, as well as funds set aside previously.

	Allocation	Balance
2021	\$ 6,810.00	\$ 6,810.00
2022	\$ 6,810.00	\$ 13,620.00
2023	\$ 6,810.00	\$ 20,430.00
2024	\$ 6,810.00	\$ 27,240.00
2025	\$ 6,810.00	\$ 34,050.00
2026	\$ 6,810.00	\$ 40,860.00
2027	\$ 6,810.00	\$ 47,670.00
2028	\$ 6,810.00	\$ 54,480.00
2029	\$ 6,810.00	\$ 61,290.00
2030	\$ 6,811.00	\$ 68,101.00

For the 2023 budget, we have allocated \$25,625 for this year’s interest-only loan payments, as well as \$20,420 for the USDA accrual requirement towards the 10-year debt service obligation.

Chris N. made a Motion to open a new Checking Account in Camden National for the Debt Service Reserve Amount required by USDA and get a CD in same account. Chris S. seconded – all in favor.

### SET 2023 INTEREST RATE FOR LATE PAYMENTS

Billings: 4.3 Pursuant to 38 MRSA 1048, (4. Interest on late payments. A standard district may charge and collect interest on delinquent accounts at a rate not to exceed the highest lawful rate set by the Treasurer of State for municipal taxes), Sewer service charges shall be billed regularly, either quarterly or semiannually. An interest charge of 4% will be assessed on all bills not paid within 60 days after the date of billing. This is in accordance with

<https://www.maine.gov/treasurer/revenue-sharing/delinquent-tax-rates> This rate will be set at the beginning of each fiscal year when the EDU rate is set.

According to Maine.gov, Treasurer, as of January 31, 2023 ([Delinquent Tax Rates | Office of the Maine State Treasurer](#) - Delinquent Tax Rates.

Municipalities may, by vote, determine the rate of interest that shall apply to taxes that become delinquent during a particular taxable year until those taxes are paid in full. The maximum rate of interest that can be charged per [Title 36, M.R.S.A. Section 505.4](#) is as follows:

Chris N made motion to keep the Districts delinquent tax rate at 4:00% assessed 60 days after invoices are sent; Chris S. seconded. All in favor –

Taxable Year	Maximum Rate
2023	8.00%
2022	4.00%
2021	4.00% up to 6.00%
2020	8.00%
2019	9.00%

- Outfall Pipe Update – Prock Marine has submitted a quote to permanently fix the Outfall Pipe. The District needs to look for Grants. It may be possible to get Richard Callaghan to do a temporary fix, although he is not sure how long it would last. Will follow up with Mike Harris in regard to Grant timeline and process.
- Generator Update –
  - Received 2 quotes, waiting on a third quote. Chris S. will ask contractor to submit bid.
  - USDA — money proceeds from selling Portable generator or Composite Samplers must be put towards USDA eligible expenses, such as the Stand-by Generator, Outfall Pipe etc. If Contingency monies are used towards the outfall pipe the District would need an Environmental Impact Study. Scott Emery can answer if we can use the existing Environmental Impact Study.
- Demolition Update/Use of Land – JBI demolished plant, brought in gravel and stabilized the area. There have been complaints from Harbor Users that they cannot park on it. Lincolnville’s Code Enforcement Officer said we must meet with planning board for a Change of Use. JBI was instructed to place boulders around the perimeter until the Trustees meet with the planning board.

The Trustees received a letter, dated December 9, from Ladleah Dunn, Chair of Select Board. The Town would like to acquire this particular parcel, as it is part of the Harbor design put in motion a couple of years ago.

  - Next step – to go before the Planning Board for a proposal to Change the Use.
  - Land use will be covered in Executive Session.
- Trustees’ Closing Remarks
- Adjournment

Respectfully Submitted,  
Chris Nickerson, Treasurer  
Lincolnville Sewer District